

UNCLASSIFIED

# Iraq

## Status Report

October 7, 2009



Bureau of Near Eastern Affairs  
U.S. Department of State

UNCLASSIFIED



# TABLE OF CONTENTS

HIGHLIGHTS	3
DIPLOMATIC	
• Political Engagement	4
POLITICAL	
• Governance & Legislation	5
ECONOMIC	
• Oil	10
• Fiscal and Monetary Affairs	13
• Private Sector	15
• Public Services - Electricity	16
SECURITY	
• Situation Update	17
• Security Transition	18
BEYOND BAGHDAD	20
Contact Information, Notes and Source Citations	21

## HIGHLIGHTS



- **President Talabani Visits Washington (*DIPLOMATIC*, Page 4).**
- **Prime Minister Maliki Announces the Creation of the State of Law Coalition (*POLITICAL*, page 5).**
- **Talks on Hydrocarbons Legislation Postponed Until After Elections (*ECONOMIC*, page 11).**
- **ISF Conduct Large-Scale Arrest Operation in Ninewa (*SECURITY*, page 17).**

## DIPLOMATIC – Political Engagement



### President Talabani visits Washington

#### **President Obama and Iraqi President Jalal Talabani Discuss Commitment to Iraq:**

- **President Obama called Iraqi President Jalal Talabani on October 5, and spoke with him at the White House on October 6 during Talabani's meeting with National Security Advisor General Jim Jones. The President conveyed appreciation for the leadership that President Talabani had shown in promoting national unity in Iraq and encouraged him to continue his efforts in this regard. He reaffirmed that the United States remains committed to working with Iraq to promote security, political progress, and economic development as Iraqis take responsibility for their future.**

## POLITICAL - Governance & Legislation



### New coalitions emerge in preparation for national elections

#### PM Maliki Announces Formation of New Coalition:

- Iraqi Prime Minister Nuri al-Maliki announced the creation of the State of Law coalition that will run in the January 2010 national elections. The coalition is comprised of Maliki's Dawa party, Shi'a Kurds, Sunni tribal sheikhs and independents. In a speech in Baghdad's Green Zone, Maliki stated that the "birth of State of Law represents an historic milestone and development in establishing a modern Iraq built on peaceful, nationalist principles." The new coalition will compete for votes against the Iraq National Alliance (INA), headed by the Islamic Supreme Council of Iraq (ISCI), the Sadrist Trend, and other senior Shi'a parties along with some Sunni tribal figures. Sources close to PM Maliki hope he can create a broader coalition including established Sunni Arab parties and Kurds, which they view might give him a better chance of winning a second term.

## POLITICAL - Governance & Legislation



### New coalitions emerge in preparation for national elections

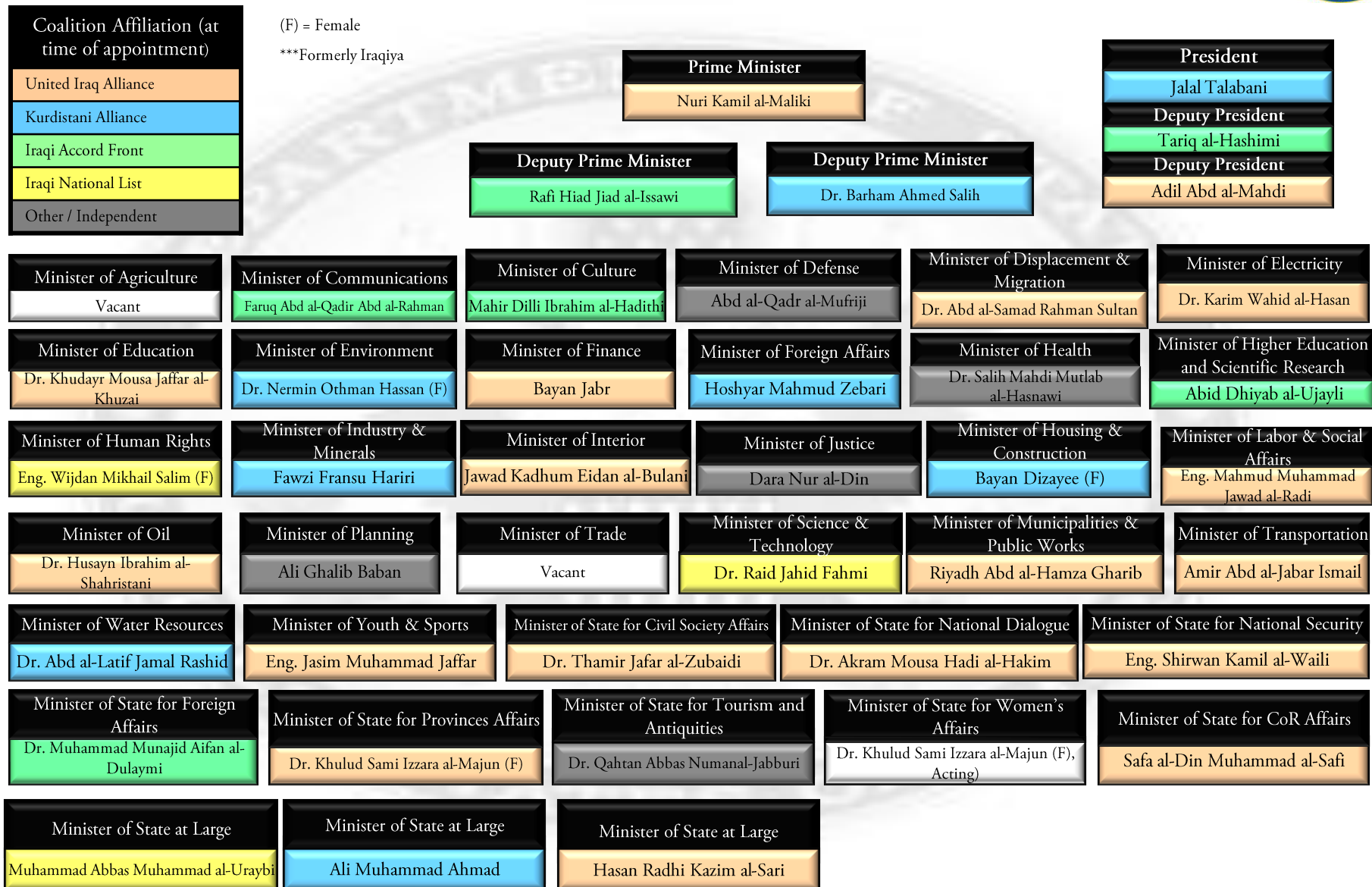
#### **Salih Designated to Form New Kurdish Cabinet, But KIU Will Not Participate:**

- On September 30, KRG President Masud al-Barzani designated senior PUK official Barham Salih to form a new government for the Kurdistan Regional Government Cabinet to include Salih as Prime Minister and Azad Barwari as Deputy PM. However, Khalil Ibrahim, a leading figure in the Kurdistan Islamic Union (KIU), announced on October 4 that the KIU will not participate in the cabinet of the next Kurdish government. Ibrahim stated that the KIU had “been officially invited to participate” and had held “several meetings...with those assigned to form a new government for the Kurdistan region,” but will choose instead to act as an opposition bloc to monitor government performance.





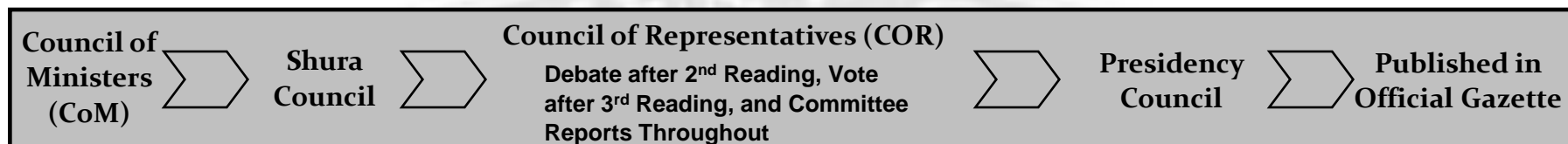
# POLITICAL – Government of Iraq





## POLITICAL – Key Legislative Issues

### Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law will regulate the operations and funding of Non-Governmental Organizations operating within Iraq. It received its first reading in the Council of Representatives on April 20, 2009.
- **National Elections Law:** A draft of a proposed national elections law is in committee but has not been finalized.



## POLITICAL - Refugee Update



- While regional governments report hosting as many as 2 million Iraqi refugees, other observers assess that the figure is significantly less.
- The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.
- In FY09, the State Department's Bureau of Population, Refugees and Migration contributed \$ 303.4 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.
- The U.S. admitted 18,838 Iraqi refugees in FY09.
- Since the program's inception in FY07, 34,263 Iraqi refugees have been admitted for U.S. resettlement.
- As of June 2009, a total of 770 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).
- As of June 2009, a total of 2,081 SIVs have been issued for Iraqis employed by or on behalf of the U.S. government since FY08 (under the Section 1244 program).
- Secretary of State Hillary Clinton announced July 24 that the United States is contributing more than \$100 million in new assistance this year to support the return and reintegration of displaced Iraqis.

# ECONOMIC – Oil



## Oil prices are rising, but exports and production remain below 2009 targets

Crude Oil Update:

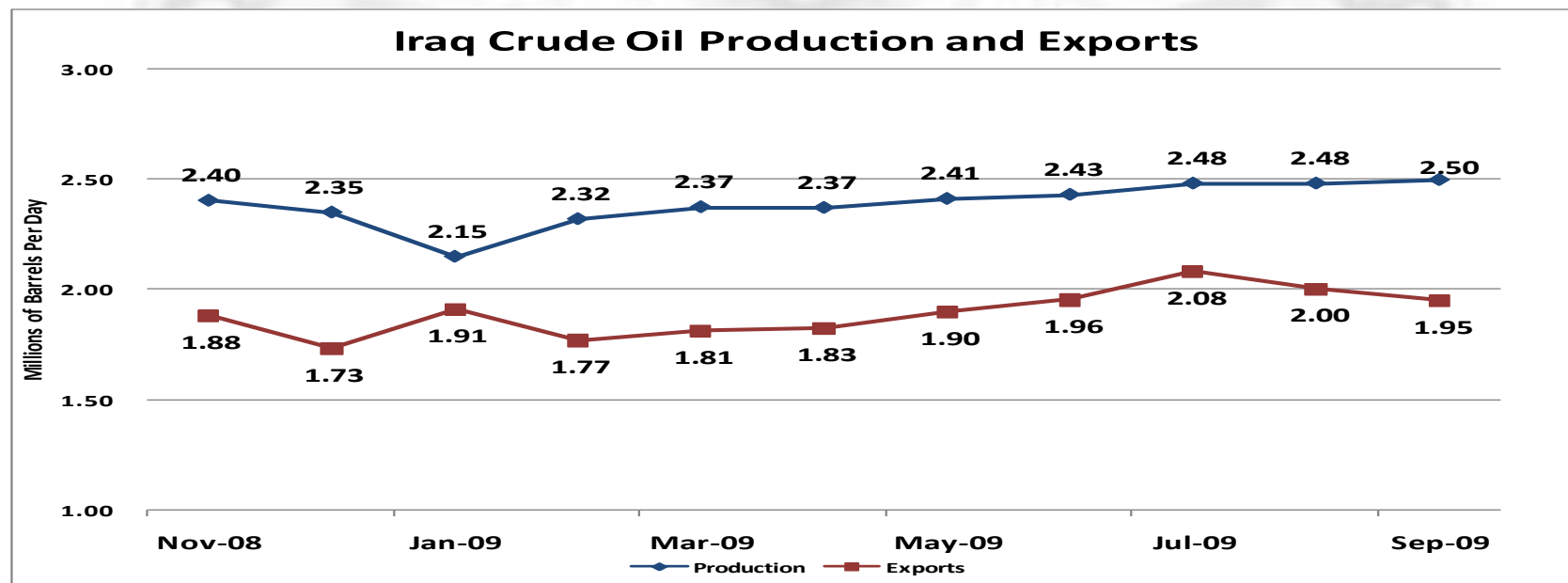
*Price averages in world markets closed with the following prices:*

Basrah Light at \$65.75/barrel

Dated Brent at \$66.59/barrel

WTI Cushing at \$68.99/barrel

Oman/Dubai at \$66.57/barrel



### Revenue estimates:

**2007: \$41.0 Billion**

**2008: \$61.9 Billion**

**2009 (ytd): \$28.5 Billion**

\*New revenue formula is used for 2009 that is more accurate, if lower.

## ECONOMIC – Oil



Parliamentary discussions on hydrocarbons legislation are postponed until after January elections; DNO allowed to resume work in the KRG, while Sinopec is banned from participating in the second bid round

### Talks on Hydrocarbons Legislation Postponed until after Elections:

- The head of Iraq's parliamentary oil and gas committee, Ali Hussein Balo, said on October 4 that the Council of Representative suspended discussions on the oil legislation until after the national elections in January 2010 due to a dispute over control of northern Iraq's energy resources. In response to the news, Ministry of Oil spokesperson Assem Jihad stated that the delay will negatively affect the country's ability to attract foreign investment in the oil sector and increase oil revenues.

### DNO Allowed to Resume Operations:

- Norwegian oil company DNO announced it has been allowed to resume its operations in northern Iraq. The KRG said in a statement that all issues with DNO had been resolved and that "all DNO's rights are hereby (reinstated) with immediate effect. DNO can resume the role of the operator as before and without any restrictions." The KRG suspended DNO for "incalculable harm" due to documents being released under a Freedom of Information request to the Oslo Stock Exchange.

## ECONOMIC – Oil



Parliamentary discussions on hydrocarbons legislation are postponed until after January elections; DNO allowed to resume work in the KRG, while Sinopec is banned from participating in the second bid round

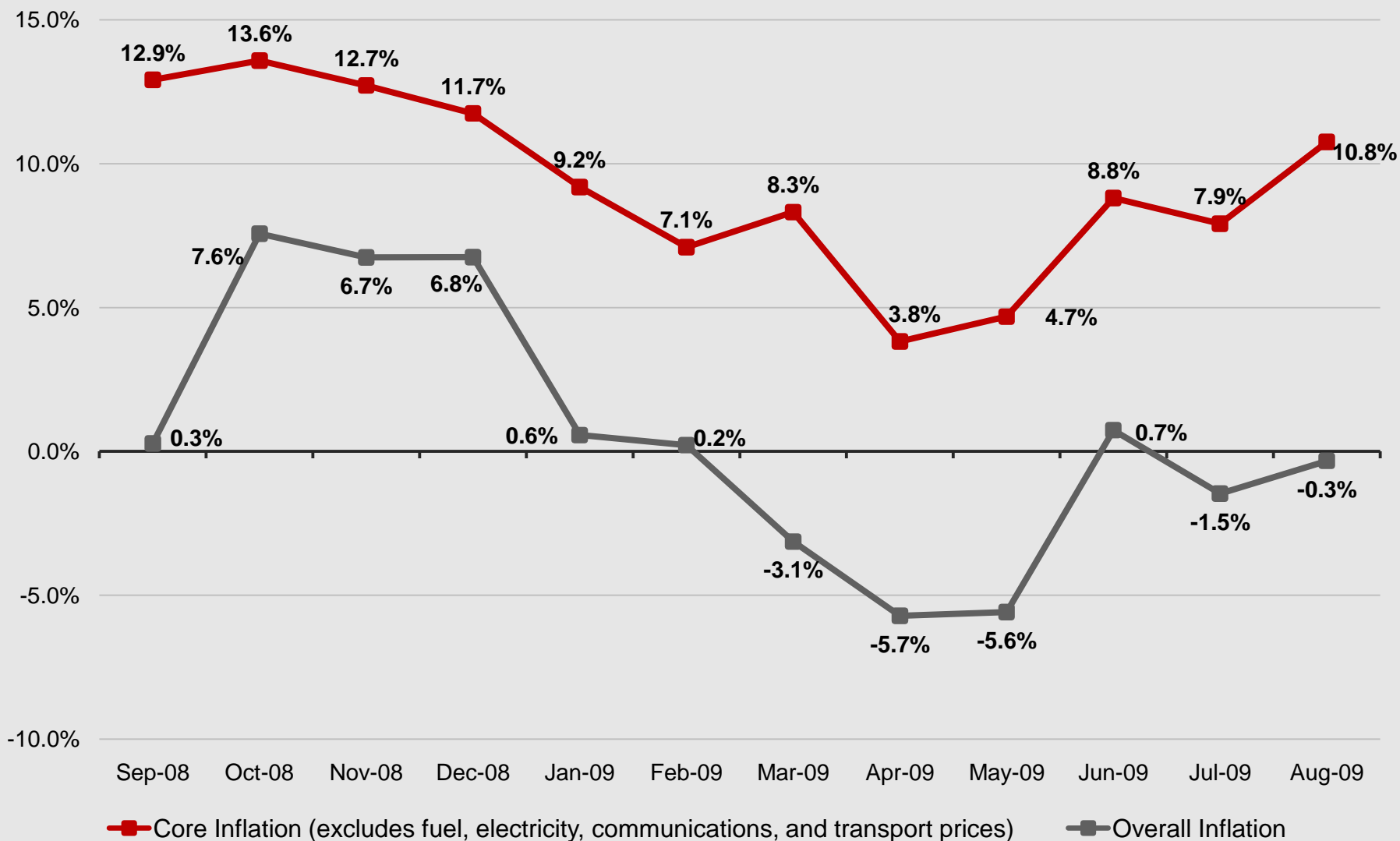
### Sinopec Banned from Second Oil and Gas Bid Round:

- The Chinese oil company Sinopec has been barred from the second round of oil contract bidding due to its acquisition of Swiss company Addax Petroleum Company. Addax has a contract to develop the Taq Taq oil field in the KRG. The Government of Iraq stated that it would blacklist any company which signed a deal with the KRG and would not allow it to participate in the federal Ministry's oil and gas bid rounds. Deputy Director of the Ministry of Oil's Petroleum Contracts and Licensing Directorate Abdul-Mahdy al-Ameedi commented on the ban, saying "The Oil Ministry has not gotten a positive answer from Sinopec and so it is considered unqualified to participate in the second bidding round ... We consider it unqualified until it reconsiders its position (on Addax) and withdraws from the contract."

# ECONOMIC - Fiscal and Monetary Affairs



## Year-on-Year Inflation



## ECONOMIC – Fiscal and Monetary Affairs



### Iraq and the International Monetary Fund in talks over \$5.5 billion loan program

Economic Indicator	This Week	Last Week	Last Month	Last Year
<b>Iraqi Commercial Bond Sales</b>				
Price (USD)	\$75.42	\$75.45	\$75.51	\$66.08
Yield	8.47%	8.46%	8.87%	10.96%

#### IMF Says Loan Talks Progressing:

- An IMF spokeswoman said on October 6 that talks between the IMF and Iraq on a \$5.5 billion loan program were progressing and that both parties aimed to reach an agreement “in the coming weeks.” The senior adviser to the Central Bank of Iraq, Mudher Salim Kassim, expressed his concerns on October 3 that Iraq would not be able to meet the IMF conditions for the loan, saying Iraq was in transition and that “the security situation sometimes turns upside down, so it is difficult to decide these things.”



## ECONOMIC – Private Sector

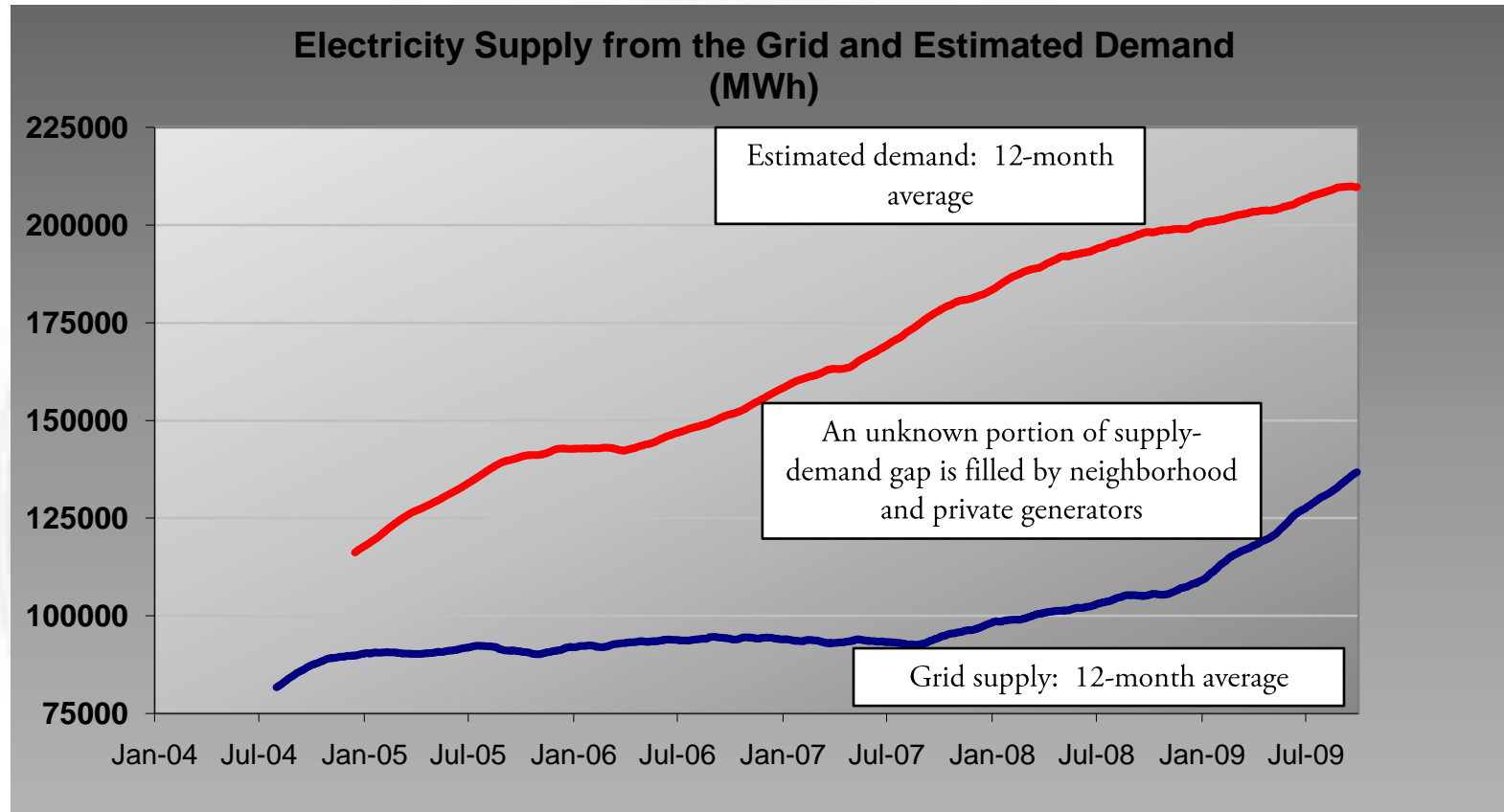


### New Zealand Firm to Build Housing Development in KRG

#### Industry Union Chairman Speaks Out against Imports:

- New Zealand's Atconz Real Estate Development announced on October 5 that it planned to build a residential housing development in the KRG. The "New Azadi" project will create 1,565 houses, ranging from modest homes to luxury villas. The project was announced at Dubai's Cityscape property expo and, according to the company, it had the backing of the KRG.

## Public Services – Electricity



- September 2009 electricity supply from the grid was 34% above 2008 and met 68% of demand, compared with 52% for the year-earlier period.
- Average September hours of power after meeting demand from essential services: Baghdad 15.6 and Iraq 15.2, compared with Baghdad 7.3 and Iraq 11.7 for September 2008.

## SECURITY – Situation



Iraqi Security Forces conduct large-scale, independent operation

### **ISF Conduct Large-Scale Arrest Operation in Ninewa:**

- **Iraqi Security Forces arrested more than 150 suspects – including AQI leaders - in a large-scale operation in northern Ninewa province. The operation was launched on September 30 and focused mainly in Mosul. A U.S. military spokesman said that U.S. Forces had not participated in this operation.**

## SECURITY – Transition



U.S. Forces continue to transfer authority to ISF while drawing down

### U.S. Forces to Redeploy 4,000 Troops by End of October:

- General Ray Odierno, Commander of Multi-National Forces Iraq (MNF-I), testified before of the House of Representatives Armed Services Committee on September 30. In his testimony, he announced plans to redeploy roughly 4,000 U.S. troops by the end of October. He stated that the withdrawal of troops from Iraq could be accelerated depending on the security conditions. “Within our plan, I have flexibility to speed up (the pullout), if I think the situation on the ground allows it.” There are approximately 124,000 U.S. troops in Iraq. Additionally, General Odierno reported that the Iraq Ministries of Defense and Interior, after paying salaries and other fixed expenses, had scant discretionary spending left to buy the equipment they needed. “What I want to be able to do is assist them in some small ways by using stay-behind equipment - potentially leaving for them - as well as improving their ability to not have to pay all costs upfront from foreign military sales, where they can spread it over a longer time period,” Odierno said.

## SECURITY – Transition



U.S. Forces continue to transfer authority to ISF while drawing down

### IAF Operates C-130 Mission Independently:

- The Iraqi Air Force (IAF) assumed independent control of C-130 air operations on September 29 in a ceremony marking the end of the U.S. C-130 air advisory mission in Iraq and the deactivation of the U.S. Air Force's 321<sup>st</sup> Air Expeditionary Advisory Squadron. USAF's 321<sup>st</sup> provided operations, maintenance and training to Iraqi Air Force Squadron 23. IAF Squadron 23, the largest C-130 squadron in the IAF, will be responsible for delivering troops and cargo, providing distinguished-visitor support, and carrying out medical evacuations. The IAF received three C-130 cargo planes from the U.S. in January 2005. Since that time, the U.S. Air Force has advised and trained IAF pilots, navigators, flight engineers, loadmasters, crew chiefs, and maintenance specialists in preparation for the IAF to run air operations independently. "From today forward, Squadron 23 will fly independently over the skies of Iraq without direct support from a U.S. air advisory squadron," said U.S. Air Force Major General Robert Kane, commander of the 321<sup>st</sup> Air Expeditionary Wing and director of the Iraq Training and Advisory Mission-Air Force.

## Beyond Baghdad



An Iraqi journalist covering the Marshlands drought

**“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”**

*President Barack Obama*

### *Recent Highlights*

Members of Maysan PRT visited the Amarah grain storage facility and flour mill recently. The facility, which has not been operational since 1976, is currently undergoing renovations by the government so it can reopen. The PRT was asked if it could help rebuild loading ramps and provide belts for grain unloading vacuums. Grain production in the province has decreased dramatically over the years and most of the wheat consumed in the area is now imported.

The Deputy Dean of the University of South Carolina's Moore School of Business is working to establish a partnership with the University of Tikrit's College of Economics and Administration. During the historic trip, the first independently facilitated link by an American professor, plans were made for joint classes, faculty exchange, and collaboration on a business center.

The drought in the Marshlands is gaining more attention as the PRT launches a multi-faceted approach to the problem. Local authorities will work with environmental experts on mapping out a long – term plan that may be presented to provincial government officials. There is also a local media push with Iraqi journalists touring the affected areas by helicopter to observe and report on the devastation first hand. This is all being covered by international journalists working various media outlets to increase global awareness about the plight of the Marshlands.

*Maysan*

*Salah ad Din*

*Dhi Qar*





## CONTACT INFORMATION

**This brief draws from multiple sources. References are cited on the following pages.**

**For additional information, please see:**

- Department of State, Section 2207 Report on Iraq Relief and Reconstruction  
<http://2001-2009.state.gov/p/nea/rls/rpt/>
- Department of State, Section 1227 Report on Iraq  
<http://2001-2009.state.gov/p/nea/rls/rpt/>
- Department of Defense, Section 9010 Measuring Stability and Security in Iraq  
[http://www.defenselink.mil/home/features/Iraq\\_Reports/index.html](http://www.defenselink.mil/home/features/Iraq_Reports/index.html)

**Please forward all questions and/or comments to:**

**[NEA-I-IPOG-DL@state.gov](mailto:NEA-I-IPOG-DL@state.gov)**



## NOTES AND SOURCE CITATIONS (1 of 2)

Slide 4:

- WH Press, October 6, [http://www.whitehouse.gov/the\\_press\\_office/Readout-of-the-Presidents-Call-and-Meeting-with-Iraqi-President-Talabani](http://www.whitehouse.gov/the_press_office/Readout-of-the-Presidents-Call-and-Meeting-with-Iraqi-President-Talabani)

Slide 5:

- Reuters, October 1, <http://www.reuters.com/article/middleeastCrisis/idUSL1553422>

Slides 6:

- Aswat al-Iraq, October 4, <http://en.aswataliraq.info/?p=119909>

Slide 7-9:

- Department of State, NEA Political Section, NEA-I-POL-DL@state.gov

Slide 10:

- Department of State, NEA/I Economics Section, NEA-I-ECON-DL@state.gov

Slide 11:

- Business Week, October 4, <http://www.businessweek.com/ap/financialnews/D9B4961O0.htm>
- AP, October 6, [http://www.boston.com/business/articles/2009/10/06/norwegian\\_oil\\_company\\_reinstated\\_in\\_iraq](http://www.boston.com/business/articles/2009/10/06/norwegian_oil_company_reinstated_in_iraq)

Slide 12:

- Reuters, October 1, <http://www.reuters.com/article/companyNewsAndPR/idUSL15973020091001>

Slide 13:

- Department of State, NEA/I Economics Section, NEA-I-ECON-DL@state.gov

Slide 14:

- Department of State, NEA/I -IPOG, NEA-I-IPOG-DL@state.gov
- Reuters India, October 6, <http://in.reuters.com/article/oilRpt/idINFCC00005420091006>; Reuters, October 3, <http://www.reuters.com/article/companyNewsAndPR/idUSL310871420091003>

Slide 15:

- AP, NY Times, October 5, <http://www.nytimes.com/aponline/2009/10/05/business/AP-ML-Iraq-Housing-Startup.html>



## NOTES AND SOURCE CITATIONS (2 of 2)

Slide 16:

- Department of State, NEA/I Economics Section, NEA-I-ECON-DL@state.gov

Slide 17:

- AFP, October 3, <http://www.google.com/hostednews/afp/article/ALeqM5jY85sWgPqJLiMgqicACHsdx0AeCA>

Slide 18:

- Reuters, September 30, <http://www.reuters.com/article/gc05/idUSTRE58T7AA20090930>;  
<http://www.reuters.com/article/middleeastCrisis/idUSN30215237>

Slide 19:

- MNF-I, September 30, [http://www.mnf-iraq.com/index.php?option=com\\_content&task=view&id=28123&Itemid=21](http://www.mnf-iraq.com/index.php?option=com_content&task=view&id=28123&Itemid=21)

Slide 20:

- PRT Weekly Summary 20-26 September, 2009